



Yardi Matrix

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Electric Vehicles Charge Up Industrial

- Driven by government incentives and a race among automakers to grab market share, the electric vehicle industry looks poised to fuel growth in the industrial sector for years to come.
- Boosting climate-friendly technology, including the electric vehicle industry, has been a focus of the Biden administration's first few years. The Inflation Reduction Act, passed last year, will provide billions of dollars in incentives to manufacturers of EVs and their parts as well as tax credits for consumers who purchase an EV. Crucially, the credits to consumers will only be available for vehicles that were manufactured in the U.S. Additionally, the CHIPS and Science Act will encourage domestic production of semiconductors, a key component in EVs.
- Tesla remains the biggest player in the EV space; it has produced an estimated two-thirds of all EVs sold. However, competition is ramping up from all sides. Domestic automakers like Ford—which in Tennessee is opening its first new auto plant in 53 years to build electric pickup trucks—are investing heavily in the sector. German automakers have been rapidly increasing investments in U.S. electric vehicle production, as well, partly to capture the tax credits offered by the IRA and partly in response to heightened energy prices in Europe. BMW announced a \$700 million battery plant in South Carolina and another \$1 billion in the U.S. production of EVs. Mercedes invested \$1 billion in an Alabama battery plant and is converting some factories to make EVs.
- A number of roadblocks remain before electric vehicles can become ubiquitous. A big one is the shortage of charging stations. The White House announced that Tesla's charging stations will be opened to all brands of EVs in the near future, yet the country will still be well short of the required number. The administration's Charging and Fueling Infrastructure grant program makes \$2.5 billion available for charging station construction over the next five years, in an effort to close this gap.
- The coming EV wave will create a plethora of opportunities for industrial real estate developers and investors, especially in the Southeast and Midwest. It will also transform the sector in other ways: Automakers will own their manufacturing plants, but will also require an array of supplemental manufacturers and suppliers nearby, as evidenced by the firms located around Tesla's gigafactories. Current battery ranges mean it will be a long time before electric semitrucks meaningfully reshape supply chains, but smaller electric delivery vehicles have the potential to make last-mile infill delivery sites more palatable to local communities by reducing associated noise and air pollution.

